

Giving taxpayers time to pay

All individuals and businesses have to pay their tax on time and it is HMRC's legal duty to make sure that happens. The vast majority do pay on time, despite the current economic climate. But we know that many people and businesses are struggling to make ends meet - and that includes paying their tax on time.

HMRC helps individuals and businesses with short-term financial difficulties by offering them 'Time to Pay' arrangements, provided that they meet certain criteria. We have no desire to make things more difficult for taxpayers, so our Time to Pay arrangements can spread payments during difficult times, which both helps the individual or business, and ultimately protects our tax revenues.

We have always offered Time to Pay arrangements and that is not changing; we are here to help. This briefing provides background and useful information about how Time to Pay works and how people can find out more about it.

Who is Time to Pay aimed at?

Any taxpayer facing difficulty in making a tax payment is potentially eligible to apply for Time to Pay. But the vast

majority of Time to Pay arrangements are for businesses, including individual taxpayers who are self-employed.

Individuals who have received an overpayment of tax credits and are unable to make the repayment because of financial difficulties are also eligible to apply.

How Time to Pay works

Businesses, including self-employed individuals, can apply for Time to Pay using our Business Payment Support Service. The sooner people contact us the better. Doing so makes it easier for us to help them, so we urge anyone who is in difficulty to contact us before their tax becomes overdue, and not to wait for us to contact them afterwards.

We look at every case carefully, because we realise that all of them have a unique set of circumstances that have to be taken into account when making a decision.

There are some simple conditions that need to be met. The first is that we have to be satisfied that an applicant is genuinely unable to pay their tax on time. We also need to be sure that they can keep up with the payments they are offering to make and are able to pay other tax bills as they arise. For example, if a business wants a Time to Pay arrangement for last month's tax bill, we expect it to be able to pay the following month's bill when it becomes due.

Because we are legally obliged to get the best deal for the country on any payments owed, we have to also make sure any outstanding tax is paid off as quickly as possible.

How we have helped

By the end of June 2011 the Business Payment Support Service has made about 444,400 Time to Pay arrangements since its launch, involving £7.71 billion of tax of which £6.69 billion had been received by that point.

What we can and cannot do

Apart from agreeing the arrangement itself, we also remove any surcharges or penalties that would otherwise have arisen. But we can only do so where Time to Pay is agreed before any surcharges or penalties become due. This is another important reason for contacting us early. We do, however, charge interest on any outstanding payments.

We want to be flexible in helping individuals and businesses pay what they owe, but we also need to be sure they can keep to these arrangements once they are made. Time to Pay is meant to be a temporary bridge for businesses and individuals to help them through a difficult time, so we only approve Time to Pay arrangements for individuals or businesses in short-term financial difficulty.

Of the 444,400 arrangements agreed through the Business Payment Support Service between December 2008 and June 2011, 360,000 were for less than six months, with an average value of £17,365.

We are unable to agree arrangements solely to stop a business from going bankrupt, where we are the major

creditor and the business relies on not paying its tax to stay afloat. Nor can we agree these arrangements only to protect jobs or protect a particular activity or industry, since this would involve HMRC intervening in industrial, competition or economic policy, which is outside the scope of our authority.

Have we tightened up on arrangements recently?

There have been recent press reports that we have "tightened up" on Time to Pay. This is not the case. We are applying exactly the same criteria as we have always done and well over 80% of applications are still being approved. However, there has been an increase in the proportion of applications which do not meet the criteria set out earlier. These are often businesses which have had a succession of Time to Pay arrangements or which have failed to keep up the terms of previous arrangements. Where this has happened we have to explore whether they are in genuine short-term difficulties or have in fact become unviable and we have to act to protect the general taxpayer. The table below gives the picture:

	Grants	Refusals	%
2009	240,700	6,750	2.8
2010	139,300	9,000	6.4
2011*	64,400	9,000	14

*Calendar year to end at the end of August

To find out more

If you would like to know more about Time to Pay, please visit our website at www.hmrc.gov.uk/payinghmrc/problems/cantpay.htm or contact HMRC's Payment Support Service on 0845 302 1435. This service is available for individuals and businesses who have not yet received a payment demand.

If an individual or business has already received a demand or letter about tax that is already overdue, they should contact the HMRC office that issued it immediately. The contact details are on the correspondence or demand.